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Indonesia

Grain and Feed

Rice Update

2005

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Report Highlights:

With stocks rising and Bulog's stocks declining, the Ministry of Trade agreed to allow about 70,000 tons of rice imports during November. Bulog plans to import about another 130,000 tons during December, but strong political opposition to imports may derail this plan. Price developments over the next 6 weeks will be central to additional import prospects.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Jakarta [ID1]
[ID]

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RICE, MILLED

Price

Prices continue to rise gradually, and as of the end of November 2005 were running about 30 percent above last year at this time. The price of medium quality rice at the main wholesale market in Jakarta was about Rp. 3,200 /kg (\$320/ton), while the official "National Average Price" is reported to have surpassed Rp. 3,500 /kg (\$350/ton). This price above Rp. 3,500 /kg, combined with a decline in Bulog stocks, triggered the decision to import (see below).

Production

Pointing to good moisture conditions during the growing period during the final harvest, Indonesia's Statistics Agency recently increased the estimate of 2005 rice production from 53.1 million to about 54 million tons, just slightly below the previous year. While other factors have driven price up in recent months, the sharp difference in price levels this year compared to last suggest that production is off this year. As a result, FAS/Jakarta's production estimate remains unchanged at 53 million tons.

However, with increasing cost of labor, transportation and land rent, and little potential for area expansion and decreasing use of fertilizer, rice production for 2006 is forecast to be lower at 52 million tons.

Consumption

For 2006, Bulog plans to provide 1.6 million tons of subsidized rice for 10.83 million families, compared to 2005 when 2 million tons was slated for distribution to 8.6 million families. The rice will continue to be sold at the price of Rp. 1,000,-/kg and each eligible family can buy a maximum of 15 kg per month, down from 20 kg in 2005.

Trade

Despite reports from the Ministry of Agriculture stating that stocks were sufficient and imports were unnecessary, expectations that Bulog's stocks will fall to under 1 million tons by the end of December, combined with the increasing retail price of medium quality rice, led the Ministry of Trade to lift the rice import ban by issuing an official license for Bulog to import 70,050 MT of rice from Vietnam. About half of this quantity has reportedly already been shipped, and the remainder is expected to arrive during the first two weeks of December. Unless the retail price of medium quality rice is above Rp. 3,800/kg it will not be released to the market and will only be allocated for *The Rice for the Poor* program.

BULOG would be interested in importing more, but it is still unclear whether Ministry of Trade will approve additional imports. The political fallout following the announcement of this first shipments has been significant, with officials from other Departments, Farmer Group Leaders, and Members of Parliament criticizing the decision. This viewpoint, which is very strong, will make it very difficult for BULOG to gain approval for additional imports during December.

As a result, given the pace of official imports due date, the import estimate for 2005 is 500,000 tons. While some reports suggest that some smuggling of rice has occurred, the amount has been relatively insignificant, and sharply reduced from previous years.

Price developments during the final two weeks of December and early January will be key to future import prospects. BULOG's stock will likely again dip under 1 million tons during January, which will result in renewed calls to import. However, so far officials have maintained that imports will not be allowed after 15 January, 2006, as imports after that time could potentially disrupt the market just at the onset of the first and main 2006 harvest.

Given the forecast decline in 2006 production, imports are now forecast at 800,000 tons. This forecast will continue to be dependant upon production and GoI rice policy.

Stocks

BULOG reports stocks of about 1.2 million tons as of mid-November. From this, about 320,000 will be allocated for Raskin (The Rice for The Poor Program) during November and December. Bulog will also allocate 100,000 tons of its stocks for Market Operations upon request from Ministry of Trade if the retail price of medium quality rice surpasses the psychological level of Rp. 3,800/kg. With off-take for the rest of the year, combined with the imports listed above, BULOG's carry-over stocks are expected to be around 1 million tons.

The level of stocks held by the private sector is a subject of much speculation, but there is some indication that stocks are being held in anticipation of additional price increases in the market.

Policy

The Ministry of Agriculture is expected to increase The Government Purchasing Price for wet paddy from Rp. 1,330/kg to Rp. 1,730/kg, dry paddy from Rp. 1,740/kg to Rp. 2,250/kg and milled rice at milling level from Rp. 2,790/kg to Rp. 3,550/kg effective January 1, 2006. The GoI will also increase the fertilizer subsidy from Rp. 1.8 trillion in 2005 to Rp. 3 trillion in 2006 due to the increase of natural gas price in world market.

PSD Table

PSD Table						
Country	Indonesia					
Commodity	Rice, Milled			(1000 HA)(1000 MT)		
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]
Market Year Begin		01/2004		01/2005		01/2006
Area Harvested	11900	11700	11650	11700	11700	11800
Beginning Stocks	4344	4344	4018	4068	3318	2968
Milled Production	35024	35024	34250	34250	34900	33540
Rough Production	54301	54301	53101	53101	54109	52000
MILLING RATE (.9999)	6450	6450	6450	6450	6450	6450
TOTAL Imports	650	700	900	500	700	800
Jan-Dec Imports	650	700	900	500	700	800
Jan-Dec Import U.S.	40	0	0	0	0	0
TOTAL SUPPLY	40018	40068	39168	38818	38918	37308
TOTAL Exports	0	0	0	0	0	0
Jan-Dec Exports	0	0	0	0	0	0
TOTAL Dom. Consumption	36000	36000	35850	35850	35600	35600
Ending Stocks	4018	4068	3318	2968	3318	1708
TOTAL DISTRIBUTION	40018	40068	39168	38818	38918	37308